

Research Initiative Report: DEDaT Performance

Research and Development Unit

9/26/14

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Introduction

Frameworks on Strategic Plans and Annual Performance Plans outline key concepts that should guide institutions when developing Strategic Plans and Annual Performance Plans. The frameworks recognise that government institutions vary greatly in terms of their roles and responsibilities, and therefore develop their plans, policies and programmes in varied ways and over differing timelines. Some plans are about activities that are programmed and sequenced for implementation; others are about possible responses to uncertain future developments.

According to the National Treasury's Framework on Strategic plans and the Annual Performance plans, some plans relate to short-term social or economic challenges, others have a time horizon spanning five years or more, and perhaps extending to thirty years and beyond. This is particularly the case for infrastructure projects or other capital programmes, but is also relevant in respect of social services and the regulation of economic development. This Framework does not prescribe how institutions should conduct their policy and planning processes, but provides guidance on good practice and budget-related information requirements.

Problem Statement

Year-on-year the DEDaT target success rates deviate from those indicated in especially the annual performance plans. Between 2012/13 and 2013/14 financial years, the department has slightly improved, as evidenced by the decreases in the overall percentage of targets not achieved from 33 percent to 24 percent. However, DEDaT has not reached 100 percent performance and this is a cause for concern as the stated underperformance levels are driven by service delivery programmes in the main.

Some of the reasons cited by programme for failure to meet their set targets include budgetary constraints; certain units were not fully operational whilst other units were short staffed. Tables 1 and 2 below, outline the DEDaT overall underperformance levels per programme for 2012/13 and 2013/14 reporting periods.

Table 1: Percentage targets not achieved per programme, 2012/13 Financial Year

Programme	Total Targets	Total targets not achieved	% targets not achieved
Programme 2: IEDS	32	4	13%
Programme 3: Trade & Sector Development	41	7	18%
Programme 4: Business Regulation & Governance	21	9	43%
Programme 5: Economic Planning	32	11	34%
Programme 6: Tourism	46	26	57%
DEDaT Total	172	57	33%

Table 2: Percentage targets not achieved per programme, 2013/14 Financial Year

Programme	Total Targets	Total targets not achieved	% targets not achieved
Programme 2: IEDS	23	4	17%
Programme 3: Trade & Sector Development	35	12	34%
Programme 4: Business Regulation & Governance	23	9	39%
Programme 5: Economic Planning	32	3	9%
Programme 6: Tourism	27	6	22%
TOTAL(Service Delivery Programmes)	140	34	24%
Programme 1: Administration	37	8	22%
DEDaT Total	177	42	24%

Source: DEDaT Strategic Management Unit

Between the two reporting years, Programmes 4 (Business Regulation & Governance), 5 (Economic Planning) and 6 (Tourism) show improvements in their level of performance, whilst Programmes 2 (IEDS) and 3 (Trade & Sector) performances have further deteriorated.

In programme 2, it is Enterprise Development and Economic Empowerment subprogrammes that have persistently underperformed in the two reporting periods whilst in Programme 3, underperformance is also driven by the same subprogrammes, namely, Trade and Investment Promotion, Sector Development and Strategic Initiatives.

Despite the improvement in Programme 4 performance, it is worth stating that, this is the only programme where underperformance ensues across all its subprogrammes. In Programme 5, there has been notable improvement as the 3 subprogrammes (Policy & Planning, Knowledge Management as well as Monitoring and Evaluation) that underperformed in 2012/13 improved and instead the fourth subprogramme (Research and Development) underperformed in 2013/14.

In Programme 6, underperformance is persistent in two subprogrammes (Research & Planning as well as Tourism Industry Development) in both years reviewed, as Tourism Awareness improved from 2012/13 status and achieved all its targets in 2013/14. Tourism Sector Transformation instead joined the underperformance wagon in 2013/14.

Report Purpose

Premised on the problem statement narrated above, this report investigates the reasons as cited for the departments' underperformance resulting from unattained targets. The key objective is to inform the strategic role players of the impeding factors to be able to unpack mitigation strategies to ensure better achievement of targets by programmes.

Methodological Approach

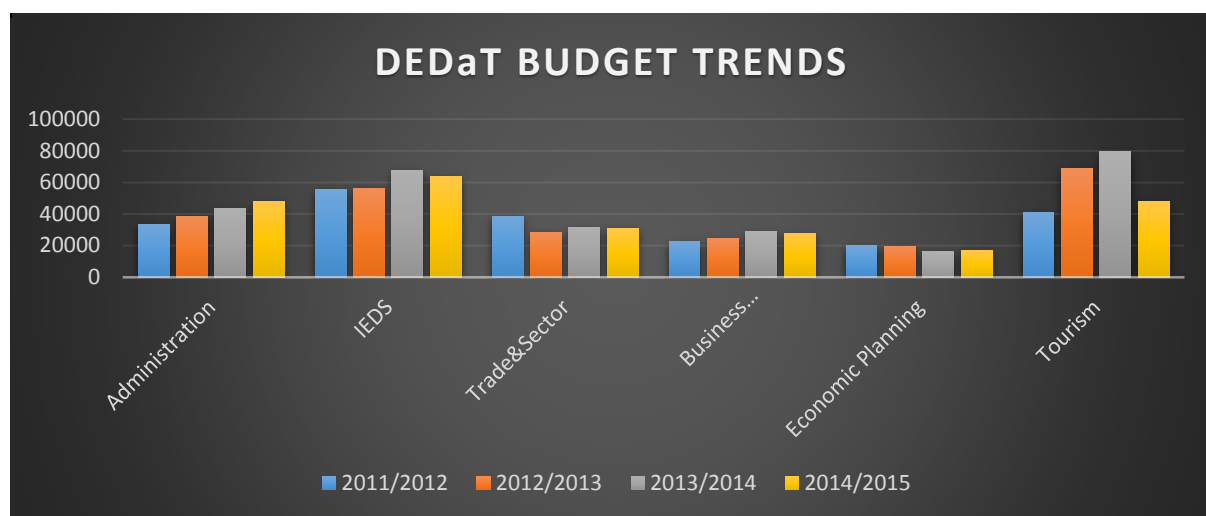
The first segment of the report adopts both inductive and deductive approaches wherein a series of relevant documentation (In-year-monitoring reports amongst others) are studied in detail. The second segment is survey administration within the department to test the problem statement and further deduct the stumbling blocks leading to underperformance.

1. Investigating the Financial Resources of the DEDaT

1.1 The DEDaT Budget Trends

Overall, the budget of the department has increased by 22 percent from R 193 million in 2011/12 to 236 million in the current financial year. When considering the main appropriations, Programme 2 (IEDS) accounts for the largest percentage share of the DEDaT budget, followed by Programme 6 (Tourism). However after adjustment estimates of each financial year, the two programmes swap places with Tourism ending up with the largest percentage share of the total budget of the department, followed by IEDS (See Figure 1 below).

Figure 1: THE DEDaT BUDGET TRENDS FROM 2011/12 TO 2014/15



Source: IYM Northern Cape Provincial Treasury

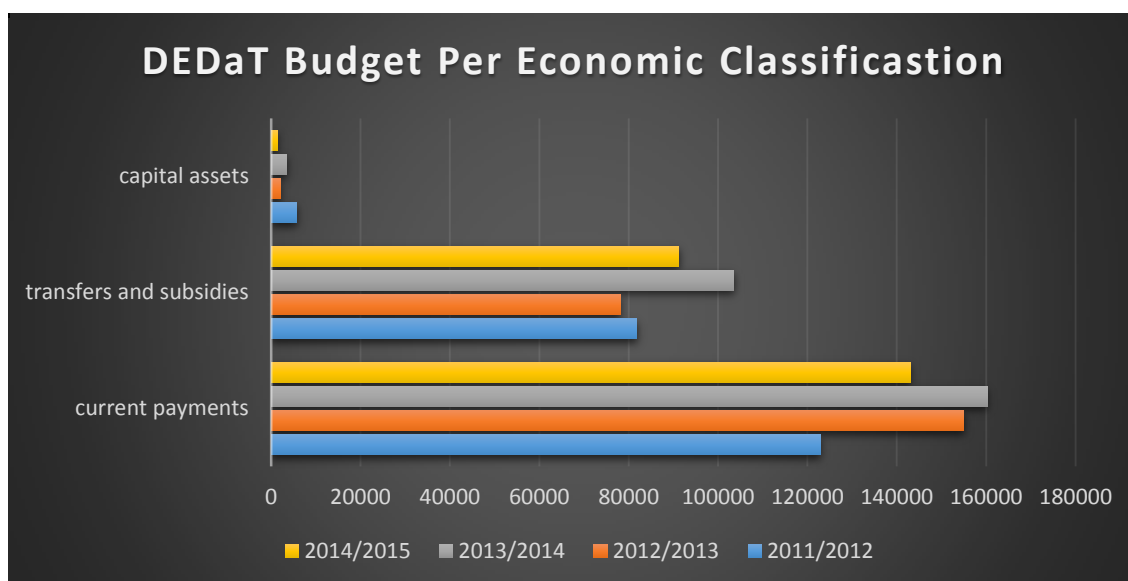
On average, IEDS and Tourism budget shares hover around 26 percent and 25 percent respectively. Together, these programmes accounted for 55 percent of the entire department in the past financial year, and currently account for 48% of the budget.

Programme 1 (Administration) and Programme 3 (Trade and Sector) account for the third (20 percent) and fourth (13 percent) largest percentage shares of the DEDaT budget. Programmes 5 and 4 account for the least (7 percent) and second last (12 percent) percentage shares of the entire DEDaT budget.

1.1.2 BUDGET PER ECONOMIC CLASSIFICATION

The DEDaT budget is highly skewed towards current payments, followed by transfers and subsidies and lastly payments for capital assets (See Figure 2 below).

Figure2: Budget Per Economic Classification 2011/12-2014/15



Source: IYM Northern Cape Provincial Treasury

Current payments budget has increased from R123 million in 2011/12 to R163 million in the current financial year. Current payments constitute around 60 percent of the total budget. Transfers and subsidies have displayed growth from R82 million to R91 million in the same period. Almost 38 percent of total budget is transfers and subsidies. Capital payments budget continues to hover around 1 percent, in proportion to the total DEDaT budget.

1.2 Spending Trends

Table 3: Departmental Aggregated Spending – Per programme – 2011/12; 2012/13 and 2013/14 financial year

	Actual	Projection	Total	Appropriation		Available	"Total"	"Total"
	to end of		2013/14	Main	Adjusted	funds	(Over)/Under	(Over)/Under
	Mar	to end of		2013/14	2013/14		Main	available
Administration	35 742	-	35 742	32 399	33 320	35 742	(2 422)	-
Integrated Economic Development Services	54 661	-	54 661	53 676	55 670	54 999	1 009	338
Trade and Sector Development	35 095	-	35 095	30 454	38 489	35 410	3 394	315
Business Regulations and Governance	22 150	-	22 150	16 519	22 326	22 934	176	784
Economic Planning	18 010	-	18 010	18 089	19 911	19 215	1 901	1 205
Tourism	41 298	-	41 298	41 641	40 661	42 077	(637)	779
2011/12 Financial Year	206 956	-	206 956	192 778	210 377	210 377	3 421	3 421
Administration	35 544	-	35 544	34 161	38 174	37 663	2 630	2 119
Integrated Economic Development Services	56 078	-	56 078	56 763	56 329	56 093	251	15
Trade and Sector Development	22 699	-	22 699	31 425	28 490	28 542	5 791	5 843
Business Regulations and Governance	24 930	-	24 930	22 015	24 491	25 543	(439)	613
Economic Planning	15 030	-	15 030	18 681	19 190	17 648	4 160	2 618
Tourism	69 007	-	69 007	44 236	68 560	69 745	(447)	738
2012/13 Financial Year	223 288	-	223 288	207 281	235 234	235 234	11 946	11 946
Administration	44 958	-	44 958	42 460	43 445	45 062	(2 498)	104

Integrated Economic Development Services	66 857	-	66 857	58 387	67 617	66 932	(8 470)	75
Trade and Sector Development	29 786	-	29 786	31 879	31 629	29 943	2 093	157
Business Regulations and Governance	27 623	-	27 623	27 393	28 691	27 625	(230)	2
Economic Planning	14 305	-	14 305	16 234	16 234	14 715	1 929	410
Tourism	82 851	-	82 851	46 675	79 518	82 857	(36 176)	6
2013/14 Financial Year	266 380	-	266 380	223 028	267 134	267 134	(43 352)	754

Source: IYM Northern Cape Provincial Treasury

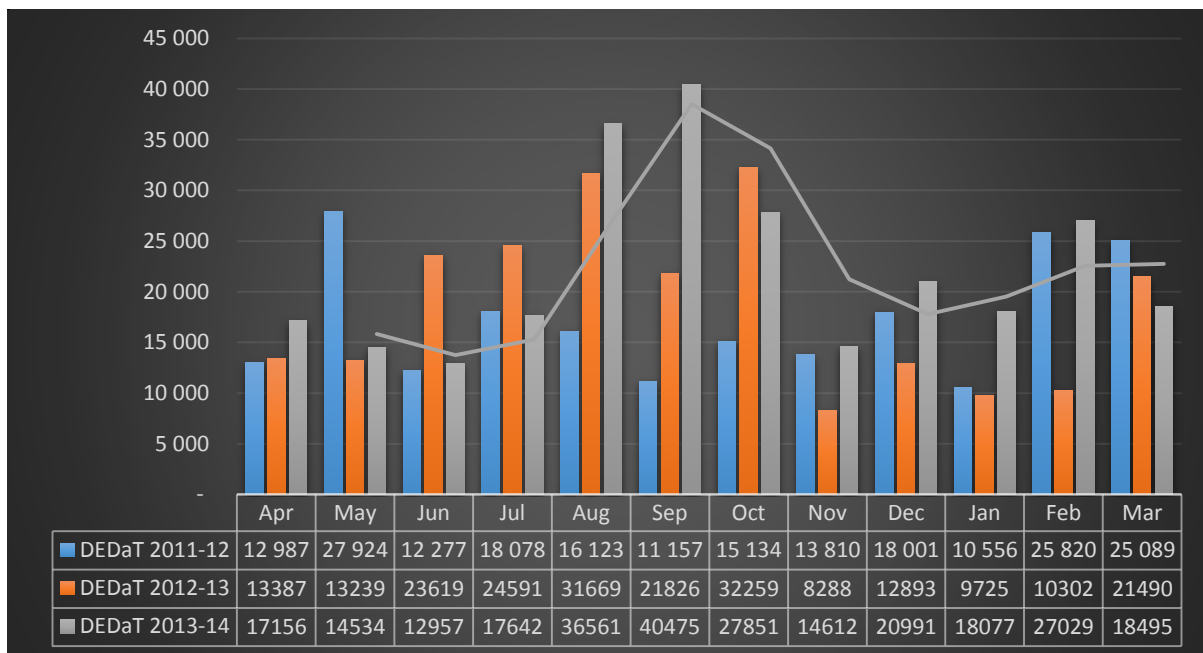
During the 2011/12 fiscal year, the Northern Cape Department of Economic Development and Tourism was allocated R 192 million in the Main Appropriation Bill, only to be adjusted upwards in the Adjusted Appropriation to roughly about R 210 million, spelling an injection of R 18 million (or about growth of about 9.1 percent). Nonetheless, the Department underspent on the adjusted appropriation by about R 3, 4 million or 1.6 percent of the overall adjusted appropriation.

At a glance the pressures in 2011/12 fiscal year were in the main driven by the following programmes; Programme 3: Trade and Sector Development and Programme 4: Business Regulations and Governance, that resulted in additions of R 8.1 million (45 percent of R 17) and R 5.8 million (33 percent). Whilst the Economic Planning received the smallest share of the adjusted appropriation, and Tourism did not face any budgetary pressures thus their share of the main declined, and there was no additional appropriation for the 2011/12 financial year.

In the subsequent years, the main appropriation for the Department increased on average by 7.55 percent, from R 192 million in 2011/12 to R 207 million during 2012/13, and increased to R 223 million in 2013/14. Meanwhile, the Department faced budgetary pressures, and fortunately the Provincial Treasury duly obliged to ratchet up the Department Budget during the adjusted budget. In 2012/13. The Departmental Budget was increased upward by about R 28 million, with the bulk of the additional appropriation nestled in Programme 6, that is, Tourism, wherein R 24 million was injected. Over the three previous financial years, Department has noted an increase in spending, which culminated in the Department over spending by over R 43 million, during 2013/14 financial year.

The bulk of this overspending rests in Programme 6: Tourism, having overspent by R 36million. It is important to highlight that the Tourism Programme has recorded over-expenditure over the previous financial years, thus averaging R 12, 4 million over expenditure for the three fiscal years. However, the jump recorded in 2013/14 financial year is rather unprecedented and would ultimately lead to a shift in the resolve of austere public finance management, and would need monitoring. The other major deviator in terms of prudent expenditure in the context of the Main Appropriation is the Administration (or Programme 1), over spending in the 2011/12 and 2013/14 financial year leading to an averaged over expenditure of R 763 thousand annually.

Figure 3: DEDaT Monthly Expenditure – R million



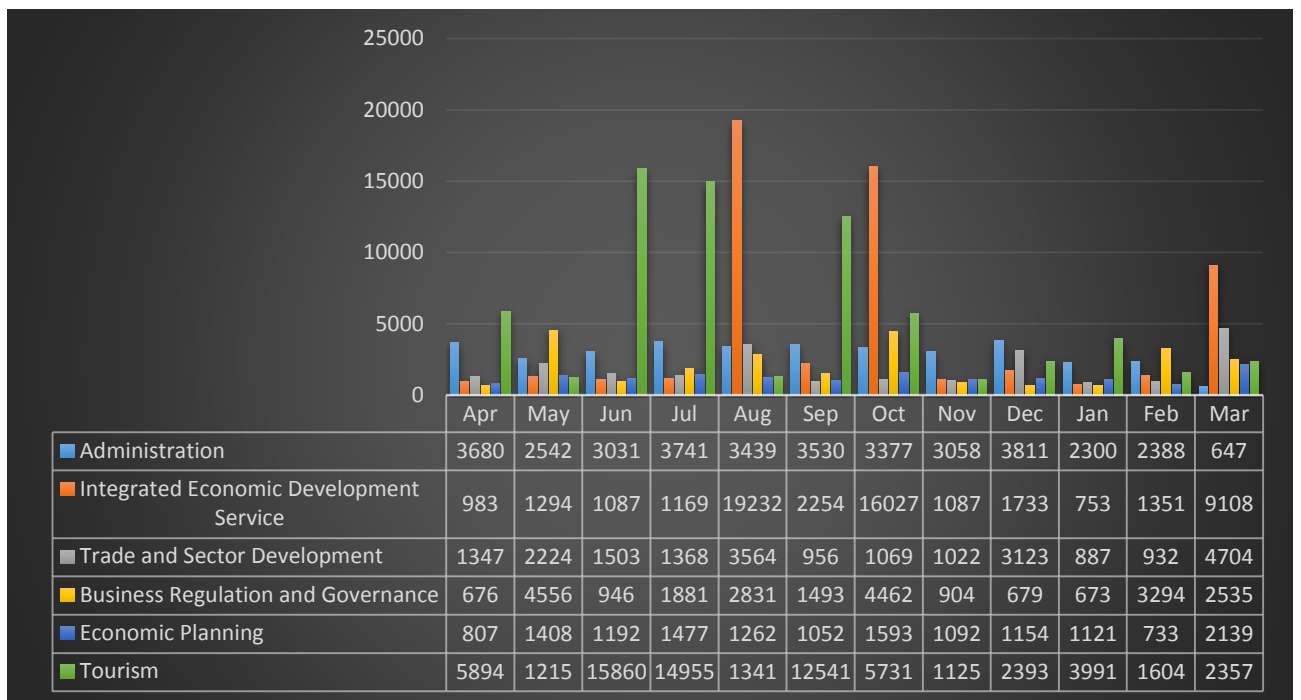
Source: IYM Provincial Treasury

In the main, it can be observed that the Department appears not to follow a particular spending trend that is either seasonal or cyclical, which implies a rather **reactive spending** than proactive and planned spending. Simplistic data analysis indicates that for the three financial years the spending has been positively skewed. The positively skewed spending implies that at the beginning of the financial year that's when most of the spending occurs, thus leading to the conclusion that by year-end, the Department faces budgetary pressures.

This is an indication of unplanned spending (haphazard), as the spending does not follow a normal distribution. Also this highlights the fact that on a yearly basis the Department, is constantly pinning its hopes, on the belief that the Provincial Treasury could rescue the Department, during the Annual Provincial Adjustment Budgets. This assertion could be supported by the fact that over the three previous financial years (i.e. 2011/12, 2012/13 and 2013/14), the Department has continued to solicit increment in the Adjustment Budget and have received such increases from the Provincial Treasury.

In order to support the inference that spending tends to occur at the beginning of the year leading to unwarranted pressures towards the latter part of the financial year. Therefore, the report disaggregates the spending on a quarterly basis to unravel which quarters spending occur most leading to budgetary pressures, as shown in the figure that follows.

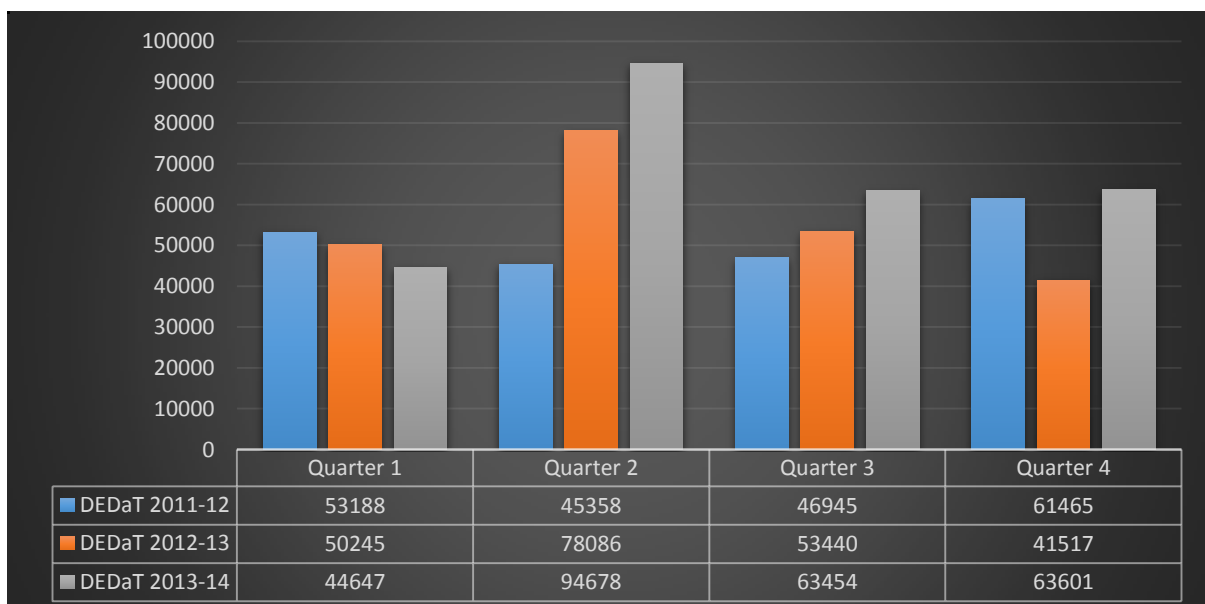
Figure 4: DEDaT Monthly Expenditure – Per Programme – R Million – 2013/14 Financial year



Source: IYM – Provincial Treasury

Similar to the overall departmental spending pattern, per programme expenditure indicates a similar unstructured spending for the 2013/14 financial year. Of the six programmes, five exude positively skewed spending patterns. With only Programme 1: Administration with a negatively skewed spending trend, which is indicative of a spending fiscal dumping trend, as the expenditure tends to occur towards the conclusion of the Financial year.

Figure 5: DEDaT Quarterly Expenditure – R million



Sources: IYM – Provincial Treasury, NC DEDaT Research and Development calibrations

The aggregation of the spending patterns on a quarterly basis still emit unstructured spending pattern, with only the third quarter indicating some form of normal growth in spending, i.e. year-in-year-out spending has grown as to be anticipated. Focusing on quarter one, there is a decline in the

spending year-in-year-out, declining 5.5 percent in 2012/13 and a further 11.1 percent in 2013/14. Whilst, hopping on to the second quarter, the unstructured spending displays prominence also in the fourth quarter. Quarter 2, indicates an abnormally incremental spending pattern, whilst quarter 4 does not indicate a consistent pattern that is neither declining nor incremental.

1.2.1 Spending Trends - Per Programme

1.2.1.1 Programme 1 (Administration)

Programme 1 of the Department is uniquely placed to lend support to the five other programmes within the Department as it comprises the Office of the MEC, the CEO's Office, the Financial and Human Management Units (Corporate Service). Programme 1 has the third largest budget share of the department.

In the years under review, the Programme 1 shows a persistent overspending pattern, except for 2012/13 when it underspent by R2.6 million (1.4 percent of its total funds in the year then).

	Actual	Total	Appropriation		Available	"Total"	"Total"
	to end of		Main	Adjusted	funds	(Over)/Under	(Over)/Under
	Mar		2011/12	2011/12		Adjusted	available
						Appropriation	funds
Office of the MEC	1891	1891	817	758	1891	-1133	0
Office of the HOD	10138	10138	7095	8016	10138	-2122	0
Corporate Services	6374	6374	7208	7101	6374	727	0
Financial Management	17339	17339	17279	17445	17339	106	0
Programme One Spending 2011/12	35742	35742	32399	33320	35742	-2422	0
Office of the MEC	1587	1587	850	1112	1587	-475	0
Office of the HOD	7482	7482	7410	7073	7482	-409	0
Corporate Services	7538	7538	7379	7866	7852	328	314
Financial Management	18937	18937	18522	22123	20742	3186	1805
Programme One Spending 2012/13	35544	35544	34161	38174	37663	2630	2119
Office of the MEC	1580	1580	889	1191	1580	-691	0
Office of the HOD	6894	6894	4264	5063	6896	-2630	2
Corporate Services	15772	15772	17310	16721	15772	1538	0
Financial Management	20712	20712	19997	20470	20814	-715	102
Programme One Spending 2013/14	44958	44958	42460	43445	45062	-2498	104

Source: IYM – Provincial Treasury

Table 4 above indicates that in both 2011/12 and 2012/13 financial years, spending was mainly driven by both the Offices of the MEC and HOD. In fact, the Office of the HOD has been persistently overspending throughout the years under review. The only subprogramme in Programme 1 that has never spent beyond its budget is Corporate Services, which to the contrary has an underspending pattern. In 2013/14, overspending was again largely driven by the Office of the HOD, followed by Financial Management and Office of the MEC.

Expenditure in Programme 1, is highly skewed towards current payments, goods and services to a greater extent, than the transfers and subsidies. The Programme however has underspent on the compensation of employees' item in all the years under review. Despite the fact that 3 subprogrammes overspent in 2013/14, Programme 1 did not achieve 100 per cent of its targets. What

this means, is that overspending in 2013/14 did not necessarily translate into 100% performance of the Programme as evidenced by targets attainment level.

1.2.1.2 Programme 2 (IEDS)

Programme 2 is one of the most crucial programmes in terms of the departmental mandate (Outcome 4). IEDS constitutes of four subprogrammes, Enterprise Development, Economic Empowerment, Regional and Local Economic Development as well as the Office of the Chief Director. In 2011/12 and 2012/13 financial years, Programme 2 underspent, whilst it overspent in 2013/14.

Actual to end of Mar	Total	Appropriation	Available		"Total"	"Total"	"Total"
		Main	Adjusted	funds	(Over)/Under	(Over)/Under	(Over)/Under
		2011/12	2011/12		Adjusted	available	available
					Appropriation	funds	funds
Enterprise Development	10298	10298	11103	10810	10430	512	132
Local Economic Development	5653	5653	6019	5976	5721	323	68
Economic Empowerment	3837	3837	2899	3298	3930	-539	93
Economic Growth and Development Fund	31000	31000	31000	31000	31000	0	0
Office of the Chief Director	3873	3873	2655	4586	3918	713	45
Programme 2: Total Exp. 2011/12	54661	54661	53676	55670	54999	1009	338
Enterprise Development	4957	4957	11247	5439	4957	482	0
Local Economic Development	5702	5702	6285	5657	5702	-45	0
Economic Empowerment	3493	3493	2992	3533	3496	40	3
Economic Growth and Development Fund	37550	37550	32550	37550	37550	0	0
Office of the Chief Director	4376	4376	3689	4150	4388	-226	12
Programme 2: Total Exp. 2012/13	56078	56078	56763	56329	56093	251	15
Enterprise Development	18970	18970	12063	18080	19044	-6907	74
Local Economic Development	6203	6203	6907	7954	6204	704	1
Economic Empowerment	2309	2309	3105	3105	2309	796	0
Economic Growth and Development Fund	36000	36000	34000	36000	36000	-2000	0
Office of the Chief Director	3375	3375	2312	2478	3375	-1063	0
Programme 2: Total Exp .2013/14	66857	66857	58387	67617	66932	-8470	75

Source: IYM – Provincial Treasury

As it can be seen from Table 5 above, IEDS underspent in two consecutive financial years, 2011/12 and 2012/13 and recently over spent its budget in the past financial year. It is also interesting to note that despite the programmes' under expenditure in the financial year 2011/12, Economic Empowerment subprogramme over spent. The programme underspent in both current payments as well as transfers and subsidies in 2011/12

Again, although overall the programme underspent in 2012/13, the Office of the Chief Director overspent by R226 thousand, and over expenditure was incurred in goods and services. Savings were realised on both compensation of employees and transfers and subsidies.

Over spending in the past financial year was largely driven by Enterprise Development and the Office

of the Chief Director. In line with the budget distribution patterns per economic classification, IEDS expenditure is largely driven by transfers and subsidies. This is highly expected as the programme budget is skewed towards transfers and subsidies, and it must be noted that this is the item where the programme overspent in 2013/14. Also worthy to note, is the fact that the programme underspent its current payments budget again in 2013/14.

In both 2012/13 and 2013/14, the programme over expenditure was not matched by 100 attainment of set targets as both Enterprise Development and Economic Empowerment failed to achieve all their targets in both years.

1.2.1.3 Programme 3 (Trade & Sector Development)

Trade and Sector Programme is also an important service delivery programme in the department. The programme is made up of four subprogrammes, Trade and Investment Promotion, Sector Development, Strategic Initiatives and the Office of the Chief Director. The Programme has the fourth largest budget share. In the past 3 financial years, this programme has consistently underspent its appropriations. All budgets distributed per economic classification, are underspent, except in 2013/14, when the programme incurred over expenditure in transfers and subsidies.

Despite the consistent underspending pattern in all the years under review, Trade and Investment Promotion overspent in 2011/12 as well as 2013/14. This is also true of the Office of the Chief Director, which also overspent by R300 thousand in the past financial year. Table 6 below, shows the underspending pattern of Programme 3, on average almost 1 % of the total budget is always not spent.

Actual to end of Mar	Total	Appropriation	Available		"Total"	"Total"	"Total"
		Main	Adjusted	funds	(Over)/Under	(Over)/Under	(Over)/Under
		2011/12	2011/12		Adjusted	available	available
					Appropriation	funds	Funds
Trade and Investment Promotion	17320	17320	9624	16978	17376	-342	56
Sector Development	6098	6098	7490	6631	6098	533	0
Strategic Initiatives	8203	8203	11490	11402	8410	3199	207
Office of The Chief Director	3474	3474	1850	3478	3526	4	52
Programme 3 – Total Exp. 2011/12	35095	35095	30454	38489	35410	3394	315
Trade and Investment Promotion	9398	9398	9908	9907	9883	509	485
Sector Development	4658	4658	7636	5859	5883	1201	1225
Strategic Initiatives	6523	6523	11941	10229	10229	3706	3706
Office of The Chief Director	2120	2120	1940	2495	2547	375	427
Programme 3 – Total Exp. 2012/13	22699	22699	31425	28490	28542	5791	5843
Trade and Investment Promotion	14769	14769	9800	12638	14770	-4969	1
Sector Development	4934	4934	7781	6084	4936	2847	2
Strategic Initiatives	7782	7782	12297	10297	7936	4515	154
Office of The Chief Director	2301	2301	2001	2610	2301	-300	0
Programme 3 – Total Exp. 2013/14	29786	29786	31879	31629	29943	2093	157

Source: IYM – Provincial Treasury

In both 2012/13 and 2013/14 financial years, all the three subprogrammes, except the Office of the

Chief Director have failed to meet all their targets. In fact, the level of underperformance has deteriorated, as target unattainment levels increased from 18 percent to 34 percent. In 2013/14 Programme 3 had the second highest underperformance percentage.

1.2.1.4 Programme 4 (Business Regulation & Governance)

Programme 4 is constituted of five subprogrammes Governance, Regulation Services, Consumer Protection, Liquor Regulation as well as Gambling and Betting. Programme 4 has overspent its budget in both 2012/13 and 2013/14 financial years, while it under spent the appropriations in 2011/12. (See Table 7 below).

In 2012/13, overspending was largely driven by three subprogrammes, Governance, Liquor Regulation as well as Gambling and Betting. The resultant over expenditure was incurred in goods and services as well as transfers and subsidies. In 2013/14 again, Liquor Regulation as well as Gambling and Betting subprogrammes largely drove the overall expenditure in Programme 4.

Actual to end of Mar	Total	Appropriation	Available		"Total"	"Total"	"Total"
		Main	Adjusted	funds	(Over)/Under	(Over)/Under	(Over)/Under
		2011/12	2011/12		Adjusted	available	Available
					Appropriation	funds	Funds
Corporate Governance	2224	2224	1735	2192	2224	-32	0
Consumer Protection	4132	4132	3359	3850	4133	-282	1
Liquor Regulation	6563	6563	4567	7081	6663	518	100
Gambling and Betting	9231	9231	6858	9203	9914	-28	683
Programme 4: Total Exp. 2011/12	22150	22150	16519	22326	22934	176	784
Corporate Governance	2189	2189	1793	2049	2189	-140	0
Consumer Protection	4928	4928	3383	6010	5541	1082	613
Liquor Regulation	7622	7622	6721	7320	7622	-302	0
Gambling and Betting	10191	10191	10118	9112	10191	-1079	0
Programme 4: Total Exp. 2012/13	24930	24930	22015	24491	25543	-439	613
Corporate Governance	1472	1472	1900	1900	1472	428	0
Consumer Protection	8419	8419	9083	9083	8420	664	1
Liquor Regulation	7698	7698	7551	7551	7698	-147	0
Gambling and Betting	10034	10034	8859	10157	10035	-1175	1
Programme 4: Total Exp. 2013/14	27623	27623	27393	28691	27625	-230	2

Over spending in the past financial year was incurred in goods and services only, as savings were realised from compensation of employees and transfers and subsidies. The over expenditure in Programme 4 is unfortunately not matched by target attainment. Programme 4 is amongst those programmes that influence under performance in the department, as target unattainment levels were 43% in 2012/13 and 39% in 2013/14.

1.2.1.5 Programme 5 (Economic Planning)

Four subprogrammes constitute economic planning, namely, Policy and Planning, Knowledge Management, Monitoring and Evaluation as well as Research and Development. In general, this is an underspending programme, realising savings on both compensation of employees as well as goods and services. The programme currently has no budget for transfers and subsidies, after it underspent the entire transfers and subsidies' budget in 2012/13 financial year.

	Actual	Total	Appropriation		Available	"Total"	"Total"
	to end of	2011/12	Main	Adjusted	funds	(Over)/Under	(Over)/Under
	Mar		2011/12	2011/12		Adjusted	Available
						Appropriation	Funds
Policy and Planning	1192	1192	2325	2167	1318	975	126
Research and Development	2660	2660	3051	3021	3021	361	361
Knowledge Management	10472	10472	9050	11087	10907	615	435
Monitoring and Evaluation	1465	1465	1819	1817	1690	352	225
Office of the Chief Director	2221	2221	1844	1819	2279	-402	58
Programme 5 – Total expenditure 2011/12	18010	18010	18089	19911	19215	1901	
Policy and Planning	1519	1519	2299	1448	2448	-71	929
Research and Development	2415	2415	3121	3121	3121	706	706
Knowledge Management	6096	6096	9567	7607	7024	1511	928
Monitoring and Evaluation	1919	1919	1806	3106	1948	1187	29
Office of the Chief Director	3081	3081	1888	3908	3107	827	26
Programme 5 – Total expenditure 2012/13	15030	15030	18681	19190	17648	4160	
Policy and Planning	2474	2474	2788	2777	2475	314	1
Research and Development	2342	2342	3204	2821	2749	862	407
Knowledge Management	5624	5624	6344	5376	5625	720	1
Monitoring and Evaluation	1797	1797	1964	2498	1797	167	0
Office of the Chief Director	2068	2068	1934	2762	2896	-134	1
Programme 5 – Total expenditure 2013/14	14305	14305	16234	16234	14715	1929	

Source: IYM – Provincial Treasury

Table 8 above, shows the persistent under expenditure pattern of programme 5. All the subprogrammes contribute to the underspending, and on average 1 percent of the programme budget funds remain unspent each financial year. Policy and Planning overspent in 2012/13, whilst the Office of the Chief Director overspent in 2011/12 and 2013/14 financial years.

1.2.1.6 Programme 6 Tourism

Tourism is one of the key service delivery programmes within the department. This programme accounts for the second largest share of the main appropriations. Year on year, funds are injected to this programme during adjustment estimates, that result in the programme having the largest percentage share of the DEDaT budget.

Programme 6 is made up of four subprogrammes, Research and Planning, Tourism Industry Development, Tourism Awareness and the Office of the Chief Director. Table 9 denotes that Programme 6 has persistently over spent in all the financial years under review.

	Actual	Total	Appropriation		Available	"Total"	"Total"
	to end of	2011/12	Main	Adjusted	funds	(Over)/Under	(Over)/Under
	Mar		2011/12	2011/12		Adjusted	available

						Appropriation	funds
Research, and Planning	4607	4607	4618	4120	4607	-487	0
Tourism Industry Development	32855	32855	33722	33754	33576	899	721
Tourism Awareness	1948	1948	1451	1280	1961	-668	13
Office of the Chief Director	1888	1888	1850	1507	1933	-381	45
Programme 6 – Total expenditure 2011/12	41298	41298	41641	40661	42077	-637	
Research, Planning and Quality Management	4 245	4 245	4	4	4	269	-
Research and Planning	61 658	61 658	35 990	60	62	(855)	738
				803	396		
Tourism Industry Development	1	1	1 525	1	1	246	-
	304	304		1550	304		
Tourism Awareness	1 800	1 800	1 900	1	1	(107)	-
				693	800		
Programme 6 - Total expenditure 2012/13	82851	82851	46675	79518	82857	-36176	
Research and Planning	4158	4158	4926	4926	4160	768	2
Tourism Industry Development	71057	71057	38149	70955	71061	-32908	4
Tourism Awareness	923	923	1591	1628	923	668	0
Office of the Chief Director	6713	6713	2009	2009	6713	-4704	0
Programme 6 - Total expenditure 2013/14	82851	82851	46675	79518	82857	-36176	

Source: IYM – Provincial Treasury

In 2011/12 over expenditure was largely driven by three subprogrammes, namely, Research and Planning, Tourism Awareness as well as the Office of the Chief Director. In both 2012/13 and 2013/14 financial years, overspending was influenced by the Tourism Industry Development and the Office of the Chief Director.

Despite the continuous over spending, Programme 6 realises savings in the compensation of employees. Over spending is incurred in goods and services as well as transfers and subsidies. In 2012/13, Tourism failed to achieve over half its targets, whilst in 2013/14 underperformance stood at 24%. Thus, simply stated the persistent overspending in Programme 6 is not matched by targets being achieved.

1.3 Budget Analysis -Resultants

This section of the report, tests financial resources as a constraint against each Programmes' Budget and spending trends. The following are some very fundamental principles of budgeting and expenditure:

i. Credible Budgeting

Apart from the undesirability of overspending of an approved budget, underspending of the budget is equally undesirable as it supports the impression of poor service delivery and/poor planning. Both over/under spending indicate non-performance on a macro-level within the department. According to the Financial and Fiscal Commission (FFC), a credible budget ensures the funding of all approved items, not unapproved items. In other words, a credible budget ensures that “the budget out-turns regularly and, with little deviation, matches the budget approved” (citing - Fölscher, 2006). A credible budget is implemented as planned, accurately reflects a country's priorities and must be an effective financial management instruments (Schiavo-Campo, 2008). A credible budget is anchored in sound, timely and reliable information on spending and service delivery, diligent and robust macro and fiscal revenue projections, realistic costing of government activities and a feasible and transparent planning

process. Without these elements, budget out-turns are likely to deviate from approved budgets.

Table 10: Credibility of operating expenditure

Financial Year	Economic Classification	Actual	Appropriation		Available	(Over)/Under	Credibility Ratio(Main) = Actual/Main Appropriation	Credibility Ratio(Adjusted) = Actual/Adjusted Appropriation
			Main	Adjusted				
2011/12 Financial Year	Compensation of employees	54 680	66 281	63 839	54 774	9 159	121.2%	116.8%
	Goods and services	67 070	56 753	58 950	67 754	(8 120)	84.6%	87.9%
	Transfers	81 789	65 977	81 796	81 796	7	80.7%	100.0%
	Payment on Capital Assets	3 358	3 688	5 713	5 971	2 355	109.8%	170.1%
2012/13 Financial Year	Compensation of employees	57 703	68 933	61 723	59 353	4 020	119.5%	107.0%
	Goods and services	84 249	54 836	93 270	93 447	9 021	65.1%	110.7%
	Transfers	78 297	81 432	78 144	78 308	(153)	104.0%	99.8%
	Payment on Capital Assets	3 039	2 051	2 055	4 084	(984)	67.5%	67.6%
2013/14 Financial Year	Compensation of employees	65 160	73 917	66 444	65 567	8 757	113.4%	102.0%
	Goods and services	94 277	57 090	93 764	94 277	(37 187)	60.6%	99.5%
	Transfers	103 729	90 288	103 482	103 804	(13 441)	87.0%	99.8%
	Payment on Capital Assets	3 214	1 703	3 415	3 457	3 511)	53.0%	106.3%

Source: IYM Provincial Treasury, Research and Development NC_DEDaT computations

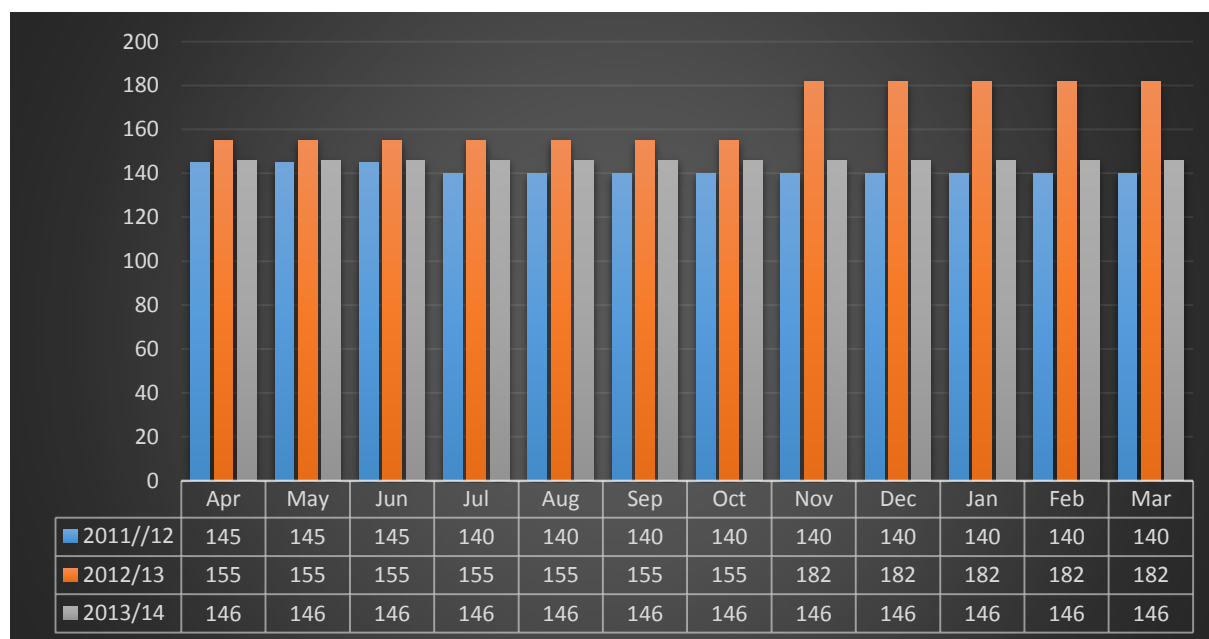
For the purpose of this research, budget credibility is represented by the extent to which budgeted and actual expenditures coincide. If the resulting credibility measurement is less than 100%, the actual amount (or outcome) is smaller than the budgeted amount, meaning that the budget is under-spent (**need not be confused with genuine savings**). The reverse is also true: if the measurement is greater than 100%, the budget was exceeded. Ideally, the deviation between budgeted and actual amounts should be minimal or zero, which is rarely the case. Again, a crucial assumption underpinning the budgeting as a model, is that the model must function without substantial injection of additional funds. Using this assumption as a means to testing DEDaT budget, the departmental budget can be stated as failing the credibility test.

2. Human Resources

2.1 Human Resources Profile

Human resource is seen as a key component in the Department accomplishing its mandate, and as such plays a pivotal role in the economic development trajectory of the Northern Cape in its entirety. Therefore figure below, indicates the number of employed persons in the Department for the following financial years, 2011/12, 2012/13 and 2013/14.

Figure 6: Personnel Number - Headcount



Source: IYM – Provincial Treasury

A basic analysis of the number of persons employed by the Department, reveals that in the financial years 2011/12 the Department of Economic Development and Tourism had on average 141.25 or roughly 141 employees. However, the 2011/12 average increased in 2012/13 to a little over 166, with a considerable intake during November and going forth, and this could be attributed to an Interns intake during the said financial year. Meanwhile during the subsequent financial year the figure decreased by roughly 20 people, thus the average for 2012/13 financial year was at around 146 employees in the Department.

As depicted by table 13 below the majority of the staff complement in the NC DEDaT is found in programme one (1) of the Department. In 2011/12 financial year the Department’s programme accounted for roughly 36.3% on average, however the figure has since declined in 2013/14 financial year accounting for about 32.6% of the Staff Complement. In terms of warm-bodies carrying out the mandate of the Department, Programme one had on average 51.25 persons, only to decline in the June of the 2011/12 Fiscal year. This decline in the number of the persons/employees in programme one could be attributed to re-engineering in the Department.

Making simplistic comparison between 2011/12 and 2013/14 Fiscal years it is abundantly apparent that programme one (1) appears to be optimally functional with a staff complement around 49 employees at any specific juncture.

Table 11: Head-Count per Programme – Financial Year 2011/12 and 2013/14

	Apri l	May	Jun e	Ju ly	Aug ust	Sept	Octo ber	Novem ber	Decem ber	Janu ary	Febru ary	Mar ch
Programme 1: Administration												

P1_HC 2011/12	58	58	58	49	49	49	49	49	49	49	49	49
P1_HC 2013/14	48	48	48	48	48	48	48	48	48	48	48	48
Programme 2: Integrated Economic Development Services												
P2_HC 2011/12	30	30	30	26	26	26	26	26	26	26	26	26
P2_HC 2013/14	33	33	33	33	33	33	33	33	33	33	33	33
Programme 3: Trade and Sector Development												
P3_HC 2011/12	11	11	11	14	14	14	14	14	14	14	14	14
P3_HC 2013/14	14	14	14	14	14	14	14	14	14	14	14	14
Programme 4: Business Regulation and Governance												
P4_HC 2011/12	12	12	12	12	12	12	12	12	12	12	12	12
P4_HC 2013/14	12	12	12	12	12	12	12	12	12	12	12	12
Programme 5: Economic Planning												
P5_HC 2011/12	18	18	18	18	18	18	18	18	18	18	18	18
P5_HC 2013/14	18	18	18	18	18	18	18	18	18	18	18	18
Programme 6: Tourism												
P6_HC 2011/12	16	16	16	21	21	21	21	21	21	21	21	21
P6_HC 2013/14	21	21	21	21	21	21	21	21	21	21	21	21
DEDaT Staff												
Complement_2011/12FY	145	145	145	0	140	140	140	140	140	140	140	140
DEDaT Staff												
Complement_2013/14FY	146	146	146	6	146	146	146	146	146	146	146	146

Source: IYM, 2011/12 and 2013/14 financial years

The Programme with the second highest head-count is the Programme 2, and showed an increase between 2011/12 and 2013/14 financial years. Programme 2 constituted about 19.1% of the staff complement in Department, and subsequently grew by 18.6% to account roughly 22.6%. Interesting to note is the fact that Programme 2: integrated Economic Development Services, is the second biggest spending programme. During the 2013/14 Financial Year the programme accounted for 25.1% of the total spent, second to the Tourism. Programme three (3) and four (4) had the least number of employees in their employ, constituting 9.6% and 8.5%, respectively, during the 2013/14 financial year. Interesting to note there was marginal movements in the head count in the two programme.

2.1 Vacancy Rate

As at 31 March 2014, the department has a vacancy rate of 23.6 percent. This is strongly evident in savings realised on compensation of employees across all programmes in the department. Programmes 3 and 4 had the highest vacancies. Whilst it can be conceded that the department has vacancies spread across all programmes, whether these impede performance is uncertain. The reality is that not all Programmes' performance is negatively affected by the vacancies.

For instance Programmes 2, 4 and 6, judging by the over expenditure of the operational budgets, it can possibly be stated that the vacancies in these programmes do not necessarily cripple performance. If vacancies in these programmes were in the critical posts, then there would be no capacity to even spend.

Looking at programmes 3 and 5, which have been underspending on especially the operational budgets, once can possibly argue that the vacancy rates are a constraint to some extent. However, as far as programme 3 is concerned issues of improper planning cannot be ruled out as well. For instance, deferring targets over two financial years whilst they remain unachieved, may possibly affirm the lack of resources but it most certainly also indicates poor planning. This means targets that should have been shifted forward in the first instance, given that their execution was improbable.

Table 12: Funded Posts in the DEDaT as at 31 March 2014

	As at 31 Mar-10	As at 31 Mar-11	As at 31 Mar-12	As at 31 Mar-13	As at 31 Mar-14	As at 31 Mar-15	As at 31 Mar-16	Average
Administration	50	54	57	49	75	75	75	62
Integrated Economic Development Services	12	27	27	26	30	30	30	26
Trade And Sector Development	4	9	15	14	23	23	23	16
Business Regulation And Governance	20	27	20	13	14	14	14	17
Economic Planning	21	21	26	18	21	21	21	21
Tourism			22	21	28	28	28	25
Total personnel numbers *	107	138	167	141	191	191	191	161
Total personnel cost (R thousand)	44 206	51 974	54 680	58 585	73 917	78 450	82 298	63444
Unit cost (R thousand)	413	377	327	415	387	411	431	394
Growth in Total Personnel cost (%)		17.6%	5.2%	7.1%	26.2%	6.1%	4.9%	0
Growth in Total Personnel numbers (%)		29.0%	21.0%	-15.6%	35.5%	0.0%	0.0%	

Source: IYM – Provincial Treasury

3. Data Analysis-Resultants

The analysis of both budgeting and spending patterns was carried out both at programme and subprogramme levels, to avoid an almost general approach to the findings. As far as financial resources are concerned, the general area of concern is more budget credibility and not necessarily budget inadequacy. This is not to say there are no financially resource constrained programmes/subprogrammes in the department, however such circumstances apply in isolated incidents. (Details, on these will be furnished in Table 13, to follow).

Whilst also conceding to the fact that the vacancies in the department could possibly affect performance, again that statement cannot be generalised. Programmes 2, 4 and 6, seem to have the capacity to spend, and even over spend. The general logic should be that human resource constrained programmes display such even in their operations (underspending on operational budgets). There seems to be no rationale in citing human capacity constraints as the reason for underperformance in such instances.

Some of the factors that are found to affect performance in the department include inept planning, lack of coordination, poor implementation, incredible target setting and lack of fiscal discipline. Details and specifics on the issues identified as hindering performance in the various programmes are entailed in the Table that follows below:

	Reported Performance 2013/14 – Strategic Management	Human Resources	Expenditure	What's the Outcome
Department of Economic Development and Tourism	42 or about 24% of the Departmental targets were not achieved in 2013/14.	The Department has a vacancy rate of 18.6%, or 35 unfilled posts. Currently the Department has a staff complement of 155 filled postings.	The Department underspent on the adjusted budget during 2011/12-2012/13, only to over spend in 2013/14 Financial year. Saving was recorded in the compensation of employees for the three financial years.	In the main the financial resources are not constrained in the department. The issue is that the budget is not credible, given that funds are injected to all the programmes during adjustment estimates. The budget inefficiencies translate into under/over spending patterns as observed in all the programmes.
Per Programme				
Administration	Programme One could not achieve 22 percent of its set target. Citing capacity constraints as the most critical reasoning for deviation.	The Programme has for the past financial year, managed to function on 48 employees (IYM database).	During 2011/12 and 2013/14, Programme One overspent on its Adjusted Budget. The programme overspend on Goods and services, whilst made savings on the Compensation of employee.	The underspending on compensation tallies in with the vacancy rate of the programme. However, the reality is that with capacity constraints (human) it should be impossible to perform both activities and incur operational expenditure. Despite the savings realised on compensation of employees both in 2011/12 and 2013/14, Programme 1 over spent the operational budget in both financial years. This suggests that the vacancy rate doesn't hinder operations/execution of duties. What is concerning though is the underperformance which doesn't match over expenditure. Overspending patterns in this Programme is largely driven by the Offices of the MEC, HOD, and Financial Management Thus it cannot be that underperformance can be linked to either human or financial constraints. There are inefficiencies in spending. Expenditure is over crowded with non-core items. Austerity measures need attention.
Integrated Economic Development Service	Programme two did not achieve 17 percent of its set target, or 4 out of the 23 set out. Reasons for the deviation was staff constraints within certain Units.	The Programme has for the past (2013/14) financial year, managed to function with 33 employees (IYM database).	During 2011/12 and 2012/13, Programme Two underspent, whilst in 2013/14 it overspent.in all the financial years, the Programme underspends on the compensation of employees,	The underspending on compensation tallies with the reason cited for under performance. However, the capacity to spend well above the budget, suggest that the available resources are well capable of executing activities. Programme 2 budget is highly skewed towards transfers. Being a transferring programme, the enabling environment is largely the transfer schedules. Should there be any delay/deviations from the transfer schedules, then performance suffers. Also important to this Programme, is that internal processes work well in support of the Programme. Programme 2 performance is thus largely

			overspending on the goods and services in 2012/13 and overspending on transfers in 2013/14.	failed by improper planning and improbable targets. Taking Enterprise Development as an example, one target has been scheduled forward for two consecutive years, without really being achieved. This is a clear indication that the Programme allowed for the setting of a target that was not yet ready for execution. This manifests itself in under expenditure, due to improper planning, which ultimately leads to underperformance. Programme must consider forward rescheduling of certain projects to avoid failure year on year, as human resources are not necessarily constrained judging by the capacity to overspend.
Trade and Sector Development	Programme three could not achieve 34 percent of its set targets. Citing capacity constraints as the most critical reasoning for deviation.		Programme Three has a consistent underspending pattern seen in all the years under review. It has underspent consistently on goods and services. In 2011/12 and 2013/14, the Programme underspent on compensation of employees. In 2011/12 and 2012/13, Programme underspent on transfers, only to overspend in the past financial year.	<p>Whilst in 2011/12 the programme was under staffed, the vacancy rate decreased in 2012/13 matched with the overspending on COE. Despite the filled vacancies in 2012/13, the programme still underperformed suggesting that human constraints were not the only impeding factor. What is clear with this Programme is that targets are not properly planned prior inclusion in the APP. This can be seen in persistent failure to meet the same targets set in 2012/13 and carried over to 2013/14. And also, in the reduction of the targets between the two financial years. Another important issue is lack of co-ordinated planning or prior consultation especially when functions extend beyond one Programme. This is specifically relevant to Sector Development subprogramme.</p> <p>Subprogramme Trade and Investment Promotion as the only transferring in Programme 3 can be cited as having caused the overspending. Despite overspending, targets were not achieved. The capacity to spend defeats arguments that this subprogramme is under staffed.</p> <p>Sector Initiatives has the budget, but not human resources. The subprogramme can said to be short staffed, with savings on COE, goods and services as well as transfers.</p>
Business Regulation &	Programme four had the highest underachievement rate, as it could		Programme four has overspent, except in 2011/12 when it underspent. The	This is one Programme that had human resource constraints, but has since filled its posts as evidenced by overspending on

Governance	not achieve 39 percent of its set target. Citing budgetary/financial resource constraints as amongst the most critical reason for deviation.		programme has overspent on the goods and services in all three financial year. In the past financial year, the programme overspent on all the budgets per economic classification.	COE in 2013/14. The issue though is that there is not synchrony between being incapacitated and overspending on operational budget. This can be seen in how the overspending pattern is not matched by performance. But the issue of financial constraints cannot be completely set aside. This programme always has high percentage of unachieved targets, over and above the overspending. What is clear is that the budget needs of this Programme always outweigh the allocations, suggesting a need for both baseline realignment exercise/assessment and reprioritisation. Planning is also an issue for the Programme. This is evidenced by the setting of targets when in fact some units are not fully operational, suggesting that plans are not synchronised. Recruitment should precede performance plans for instance.
Economic Planning	Programme 5 could not achieve 9 percent of its set target. Chiefly among the cited reason for under-achievement were capacity constraints as some staff member were transferred elsewhere and vacant posts not filled.		Programme 5 has a consistent underspending pattern, underspending on all the budget items (per economic classification).	The underspending on compensation tallies with the reason cited for under performance. There may also be a need for baseline assessment (downward) as the programme has made genuine savings but largely it underspends.
Tourism	Tourism similar to programme One could not achieve 22 percent of its set target (6 of the 27 Targets). Citing capacity constraints as the most critical reasoning for deviation.		Tourism has been over spending its budget in all the years under review. This is despite the fact that its budget is adjusted upwards each year resulting in the highest budget share. The programme has consistently overspent on transfers and well as goods and services (except in 2012/13). COE are the only budget item that is constantly underspent on.	Despite overspending in all the years under review, the programme underspends on COE. This tallies with the vacancy rate. However, as a transferring programme, the issue is whether vacancies ought to be seen as a constraint, especially as the operational budget is always overspent, suggesting that the available resources are well capable of carrying out the functions. This assertion can be backed up by the improvement in performance between 2012/13 and 2013/14. However, the overspending doesn't translate into adequate performance. The Programme warrants baseline assessment.

4. DEDaT In-House Survey

Research and Development Unit of the Northern Cape Department of Economic Development and Tourism, has undertaken a task to conduct research on the performance of the Department, and thus critically focusing on per programme basis in terms of achieving their set targets or failing. According to the DEDaT Strategic Management report, Programmes stated the following as their primal stumbling blocks in attaining their set targets;

- Shortage of Human capital
- Budgetary/financial resource constraints
- Units not fully operationalized

Thus, through the aforementioned operational hindrances a questionnaire was developed in order to critically discern whether the reported hindrances were indeed the only stumbling blocks. And if so what could be done to remedy the situation, and thus see through service delivery, as set out in the Mission and Vision of the Department. Therefore, from the survey will be able deduct the stumbling blocks in terms of the department achieving its set objectives.

This would seek to ascertain whether the Department understands its critical mandate and its role in the achievement of outputs set out in the Outcome Four (4). The Survey would also try to decipher the strategic role players that are key to the realisation of the set targets. Synoptically, the survey would attempt to unravel the following and as such make unequivocal recommendation based on a thorough quantitative analysis assessment;

- Do staff members have ample know how on Financial Management?
- Do they have an inkling of the running of the financial resources in the Department?
- In their most honest opinions, do they critically believe that the financial management of the Department is genuinely prudent?
- Is human capital a true hindrance to service delivery and the attainment of the set targets?
- Could other exogenous factors be hampering the attainment of the set objectives?
- How conducive is the working environment? Does it allow and thus appreciate excellence or breed despondency?

Survey Sample - Mechanics of the Sample

Given the rather small nature of the Department, which is, Economic Development and Tourism, an undertaking was established that the sample would rather be a holistic approach, meaning the sample would be in a form of a considered census. Simplistically, that all and sundry would be included in the sample and thus would be expected to respond. Therefore for the sake of being simplistic and yet methodological, the survey would utilize the vacancy rate figures presented by the Head of the Department at the Provincial Legislature, as true and unambiguous headcount figure for the Department. Thus, for the computation and analysis of the survey results would be premised on the Department having a headcount of 153 full-time employed Officials.

Participation Rate

As earlier outlined the analysis that follows hereon, would rely on the headcount figures presented at the Provincial Legislature (Quarter 1 report) as the true reflection of the number of persons in the employ of the Department. Thus based on the universally acceded number of staff members, the survey indicated a below par response rate, i.e. only 47.1% responded. Despite the low response rate it is imperative to analyse the findings, due to the telling nature of the responses received, and thus to be a building block for future similar studies and a case wherein researchers could learn from. With the following cited as reasons for non-response:

- The time allotted to the survey, was at best limited¹; and
- Lack of thorough knowledge or understanding what the survey intents to do².

Therefore the analysis of survey would be in three distinct sections (Financial Resources, Human Capital and Environmental influences), with a concluding section which would in essence sum up the analysis.

Survey results and findings

This section of the report would discernibly focus on analysing the Performance Survey results for a critical understanding of the plausible causes for under achievement in the Northern Cape DEDaT.

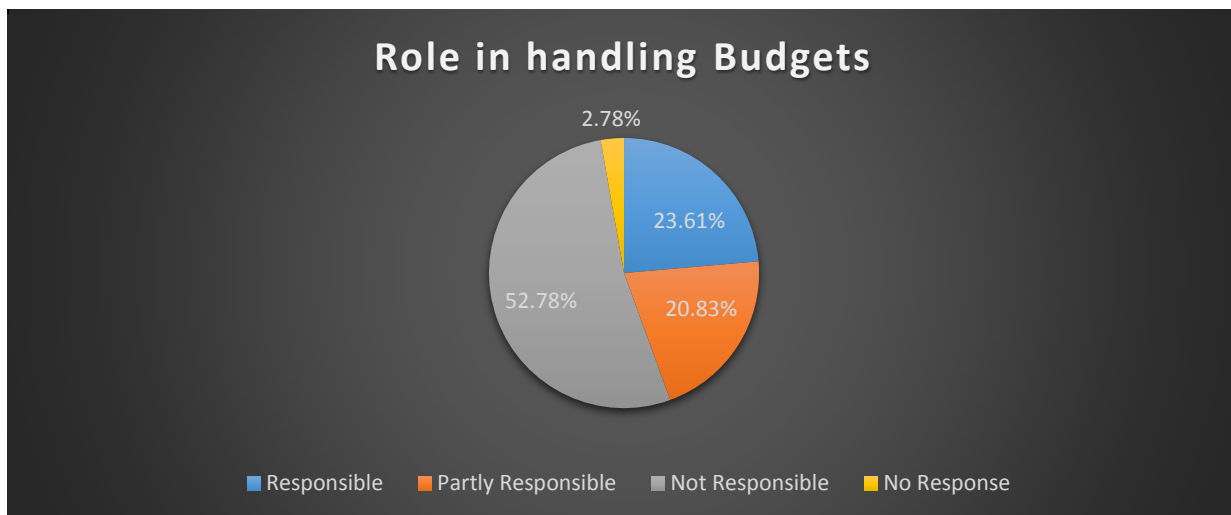
Financial Resources – Expenditure analysis

Financial resources (the Budget) plays a pivotal role in the assimilation of the mandate of the Department, and it was also identified as one of the culprits to the department meeting its developmental objectives, of ensuring the province realize sustainable economic growth which is premised on creating decent employment for people of the Northern Cape. Thus mindful of this important task the mismanagement of financial resource can have wide-reaching results not only for the staff compliment, but also for the ordinary man on the street.

Figure 7: Role in handling financial resources (Budget)

¹ The Survey was instituted in five working days that is from 11 -18 September 2014.

² Some respondents felt that it was critical that a workshop is held to mitigate the slow response, citing that only a few staff members fully grasped the logic and the purpose behind the Survey.

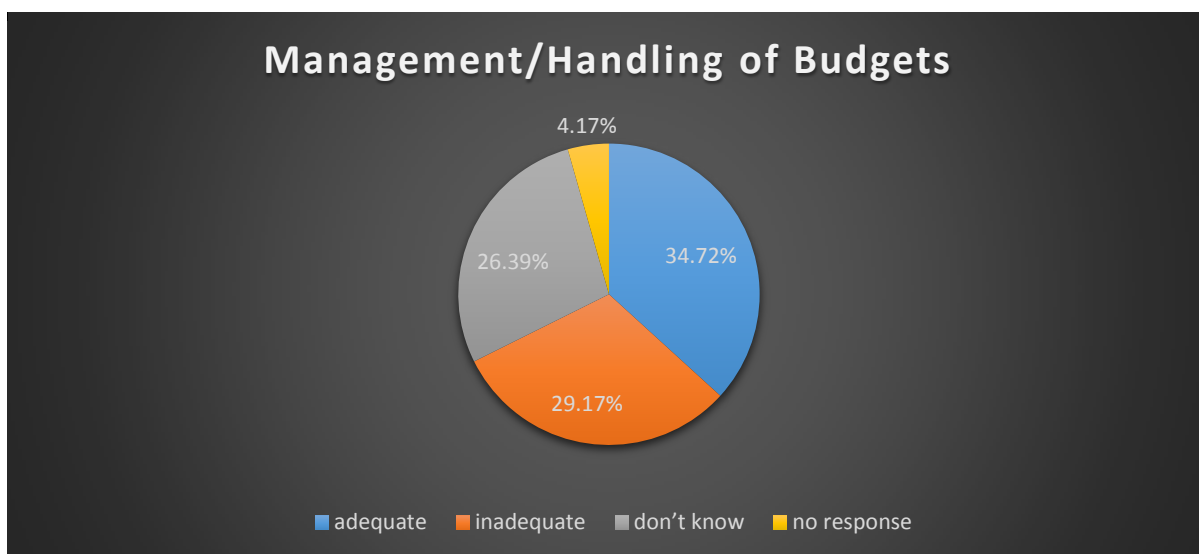


Source: NC DEDaT Research and Development, 2014

An overwhelming response of 53 percent staff do not believe that they have an input into the Budget or in a nutshell are not responsible for it. Whilst about 46 percent felt they had an input, be it as the responsible party or partly responsible. 3% of the staff did not respond to the question.

Below is a figure (figure: 9) that clearly depicts the opinion of the respondents on the question of whether the management of the budget is adequate or otherwise.

Figure 8: Managing financial resources



Source: NC DEDaT Research and Development, 2014

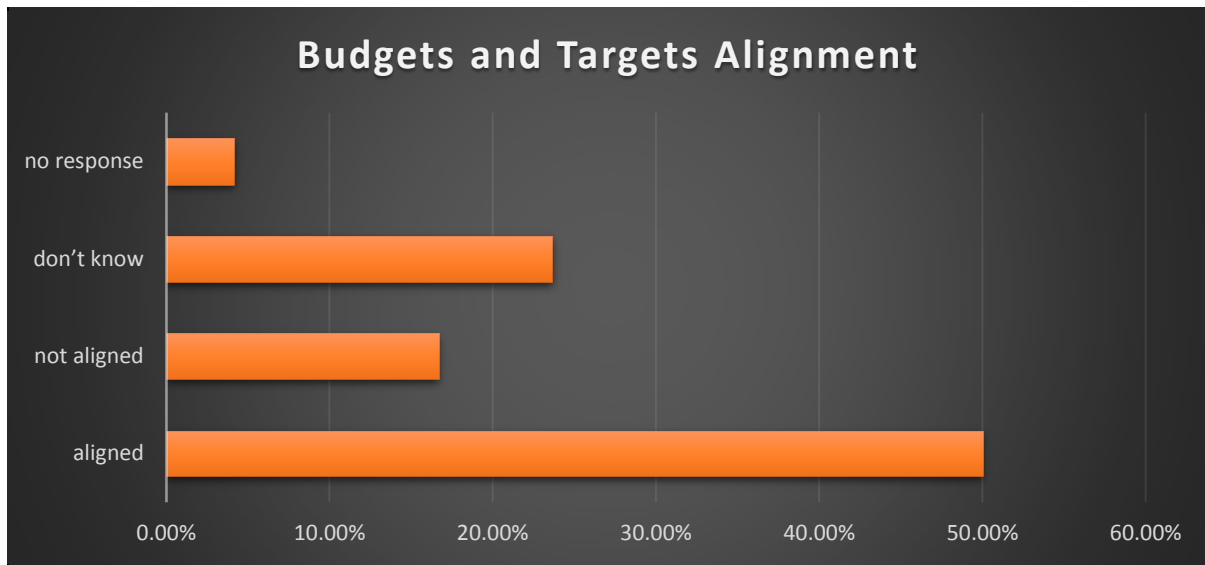
From the startling response, it is apparent that most of the staff compliment (i.e. 35 %) of the staff think the budgets are handled adequately. However, the foot soldiers are divided, with 31% of them contending that the finances are not adequately managed. It is concerning that 26 % do not know if the budgets are handled adequately or not. 4% did not respond to the question.

Having delved into the management of financial resources, the appropriateness or lack thereof. It is only natural to contextualize the budget, whether does it serve its purpose of rather a streamlining thereof, is required to ensure to the alignment of the mandate of the Department, and what the ordinary man on the streets expects from ourselves (as the Department). In order

to ensure prudent management of the financial resources, the National Treasury adopted the cost-containment framework as a measure of ensuring unauthorized expenditure is curbed.

However, this cost-containment measure is not intended to derail service delivery, generally and the work of Government but rather ensure strictest spending on the essentialities of every Government Department. Thus the following is a synopsis of the response by the respondents on whether the budget as a tool to ensure service to the ordinary citizen is aligned to their activities in serving the people of the Northern Cape.

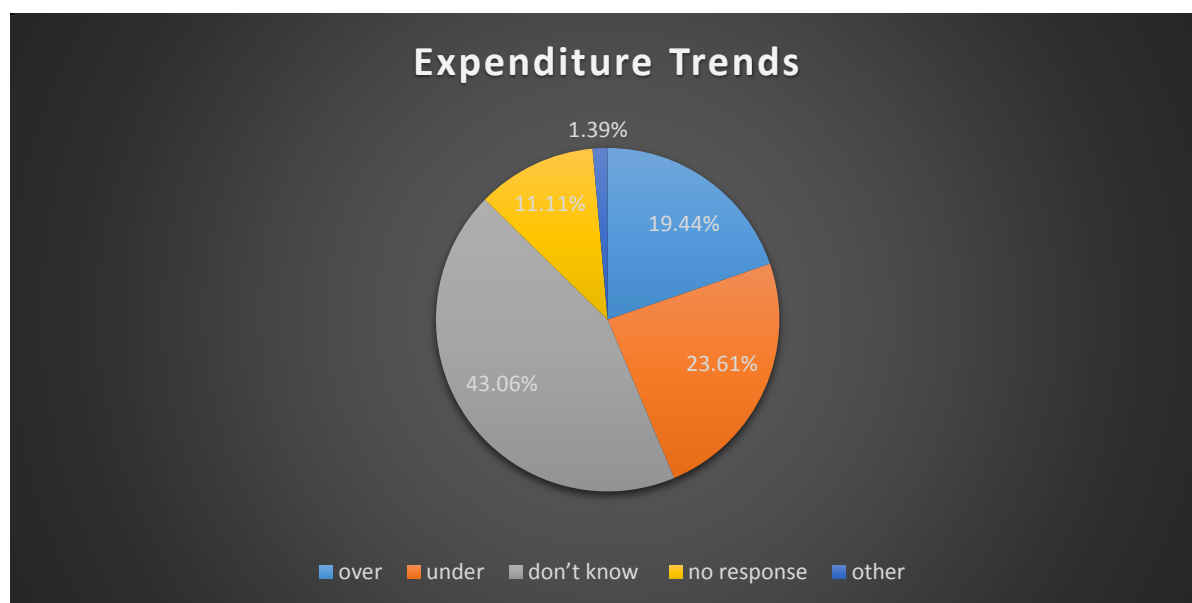
Figure 9: Budgets and targets alignment



Source: NC DEDaT Research and Development, 2014

In majority (50%), the Staff Compliment (in this instance the respondents) acceded to the budget being aligned towards the Departmental targets. Whereas worryingly, 24% did not understand/know whether the Budget is aligned or not. This could be a great impediment in the execution of the work of the Department, as Units could find themselves without the financial muscle to carry on with their everyday duties. 17% of respondents stated budgets are not aligned to targets, whilst 4% did not respond to the question.

Figure 10 below indicates the responses on spending trends in the subprogrammes and programmes



Worrying also is the fact that 43 percent of the respondents did not have an inkling of whether their subprogrammes or programmes were generally over or underspending, this could also deter the functionality of the Department. And important to stress that there is no consistent spending trends in all the programmes, as 24 % feel their units/programmes are overspending, citing reasons such as unplanned/outbound missions that are not budgeted for being imposed upon subprogrammes, unfunded mandates, collaborative initiatives as well as unplanned targets. 19 % are of the opinion that their units/programmes are actually underspending. Reasons cited for underspending include vacant funded posts, supply chain management delays and non-approved memorandums for activities budgeted for. 11% did not respond to the question, whilst 1% felt their programmes/subprogrammes actually break even.

Itemized spending

The following are a number of items identified as amongst the highest procured in the various subprogrammes/programmes within the department, as expressed by the respondents;

Table 14: Major items spending

Budget item	Items
Compensation of employees	
Good and services	Travel and Accommodation
	Consultants
	Venues and Facilities
	Office Equipment (Furniture and Stationery)
	Training and Development
	Operating leases and finance leases
Transfers and Subsidies	
Payments for Capital Assets	Laptops and Desktops
	IT Software

In terms of the economic classification, current payments were the most popular item of expenditure cited, followed by transfers and subsidies whilst capital payments were the least popular expenditure item. This is highly linked to the departmental budget pattern.

Budget focus

Majority of the staff unanimously proposed the following measures to ensure budgets are target focused. The consensus was that these measures are currently in place to a large extent but need to be enforced or improved.

Table 15: Proposed Measures to ensure alignment between budgets and targets

Control	Planning	Monitoring and Evaluation	Training Development	&	Processes
Curtail travelling costs	Involvement of everyone in planning	Monitor alignment between APP, PAs, WPs, monthly and quarterly reports	Train staff and managers on finance related courses		Proper coordination in the department
	Planning should begin within subprogrammes, then programmes, then across programmes (in case of coordinated functions),	Monitor budget tools and budget pressures consistently	Risk management training necessary to all staff		SCM turnaround time needs improvement
	planning must be timely and proper	Monitor expenses			Better consultation/communication
	Strategy Management must guide setting of targets				Working closely with internal stakeholders
Better controls to prohibit shifting of funds- shifting of funds should not be possible/allowed	Proper guidance must be given to the costing of activities				

Constraining elements

In this section the financial/budget constraining elements refer to the hindrance as articulated by the general staff compliment. A few have been identified as chiefly amongst the rest:

- The need for realistic timelines for executing activities;
- Alignment of budget to target

- Bureaucratic processes- *“Budget is target/ activity based so it can't be correct to disapprove memos to carry out mandated activities”*
- Avoid unfunded mandates/ unplanned urgent activities

Majority of the respondents alluded to attitudes and behaviour playing a role in the poor performance in the department. The main cited problem as per staff is “Non-developmental attitude of the finance unit”. Elaborations on this include, “SCM disapproves memos most of the time”, yet activities budgeted for thus frustrating performance. Another area stated as impeding performance is “Egoistic behaviour” of executive managers.

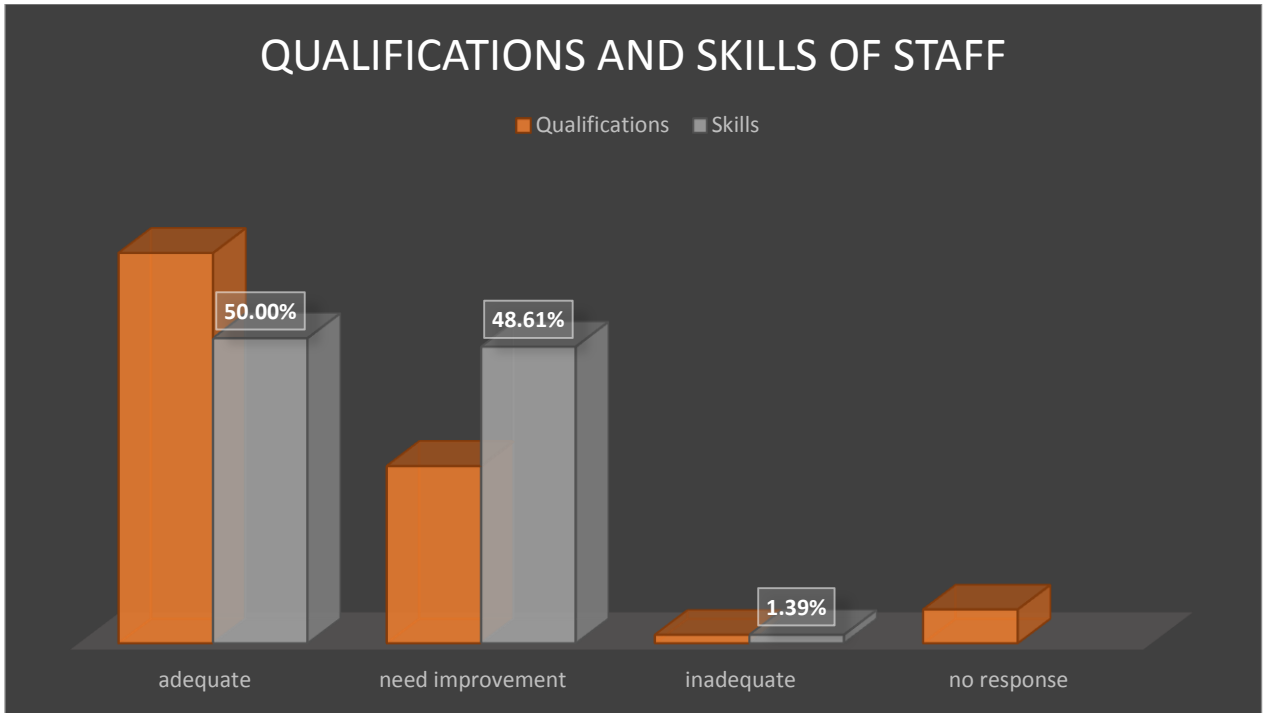
Human Capital

The general consensus is that labour or human resources is an integral part of any government department. And according to the National Development Plan: Vision 2030 aspiration on building and capable state rests on the shoulder of a world class public service. Human capital is the stock of knowledge, habits, social and personality attributes, including creativity, embodied in the ability to perform labour so as to produce economic value. It is an aggregate economic view of the human being acting within economies, which is an attempt to capture the social, biological, cultural and psychological complexity as they interact in explicit and/or economic transactions.

Many developmental theories explicitly connect investment in human capital development to educational attainment, and the role of human capital in economic development, productivity growth, and innovation has frequently been cited as a justification for government subsidies for education and job skills training. It would then be correct that the survey attempts to connect the general theory of human capital and the economic development in its space.

Posed with the question of whether individuals think they are suitably qualified or appropriately skilled for their positions, 64% of the respondents felt that they were aptly qualified for their position, and skilled (50%), and as such would be able to perform adequately in their respective positions. Whilst, 29% conceded that they needed to improve their qualifications, and 49% indicated a need to upskill the workforce in the department (tallying in with the aspirations of Vision 2030). Only 1% of the participants felt both inadequately qualified and skilled. 5.5% did not respond to the question on their qualifications, whilst the skills question had 100% response. See illustration in Figure 11 below.

Figure 11: Qualifications and Skills of Staff

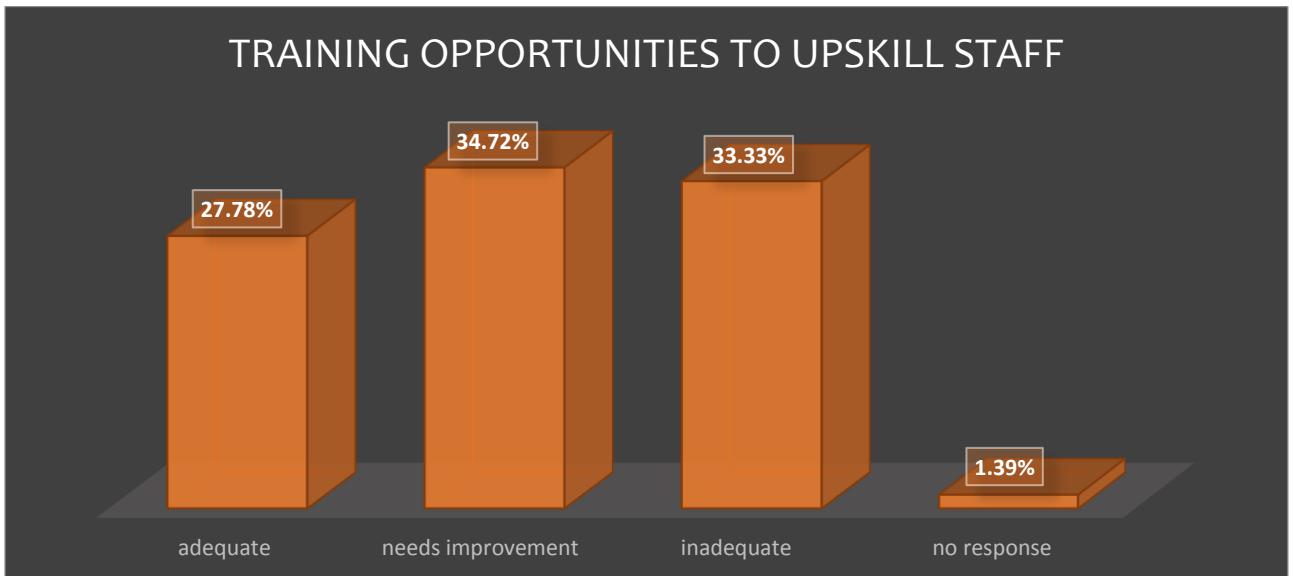


Source: NC DEDaT Research and Development, 2014

Training opportunities to Upskill

An overwhelming 68% of the participants felt training opportunities to upskill employees in the department needed attention. At 35%, majority indicated a need to improve the training opportunities to upskill employees whilst 33% felt training opportunities were just inadequate. Only 28% indicated training opportunities as adequate. 1% of the participants did not respond to the question.

Figure 12: Training opportunities to upskill staff



Source: NC DEDaT Research and Development, 2014

Environmental influences

Work environmental issues can derail success and lead to poor performance. And as such this section of the questionnaire attempted to understand the environmental elements that lead to non-achievement of objectives. Below are a number of challenges or inhibitors articulated by the respondents;

- Generally, low staff morale
- Recruitment processes too slow
- Office accommodation – Office space
- Bureaucratic process in the Department hinder work
- Misplacement of employees – leading to poor quality of outputs
- Lack of consistency – application of Policies, Strategies etc.
- Management not redressing critical issues at lower levels
- Skills development
- Poorly implemented Performance Appraisal- rewarding, acknowledging and motivating staff

As indicated earlier the above are chiefly the stumbling blocks to the attainment of quality performance in the Department as expressed by staff. Thus it would rather be inappropriate not to include the mitigating actions/ strategies to counter the hindrances to services delivery, and as such below are a number of measures solicited from the staff compliment on how to improve the performance within the department:

- Employees skills should be assessed and thus placement should be made on the skills aptitude
- Improve technology to shorten processes e.g. Memo's should be signed within specified timeframes
- Team building training should be conducted regularly – to improve the morale in the staff
- Accommodate departmental employees in one central building.
- Improvement in leadership style and tendencies. Open discussions with the general human capital about leadership tendencies without victimization. “Staff Imbizo's” could be an ideal vehicle for consultation.
- Paradigm shift from being compliant to accountable for outputs.
- Reward performance, show appreciation, acknowledge and motivate.
- Units must stop working in silos.

In concluding this section, it is imperative that cognizance is granted to the views of the staff compliment in the Department, as in most instances they are the link between the ordinary citizen and the Government in general.

Conclusions

The purpose of this report was to examine the extent to which resources affect performance in the department. Whilst it has been conceded that financial and human resources are a constraint, the statement cannot be applied as general across all subprogrammes/programmes. The first segment of the report alluded to planning, improbable targets and lack of coordination as other reasons for poor performance in the department. These were echoed by the survey findings, which indicated that staff generally feel the budgets are adequately managed and aligned to targets, except for the lack of fiscal prudence and discipline. The survey went further into highlighting environmental factors as the most performance impeding factors. High on the environmental factor, staff morale and organisational culture were cited as the most worrying performance hindrances in the department.

5. Recommendations

Given the importance of efficient and effective performance of especially service delivery programmes within the department, this section provides recommended intervention on the basis of this research initiative. Below are the recommendations:

■ Planning

The findings point to a need for improvement in planning within the department. Planning phases must be subdivided, in the first phase it must involve all staff members at the subprogramme level, thereafter second phase of planning must be held at the subprogramme level. The third phase of planning must be across programmes where there are coordinated or interdependent functions. This is prior the last phase (strategic planning) that is at the departmental level. Strategy Management can guide the setting of targets at each phase to avoid the high percentages of unachieved targets.

■ Financial Prudence and Discipline

The main issue with financial resources in the department is the credibility. The persistent reliance on injection of additional funds is not prudent, especially in light of the principle of zero-budgets that has been pronounced by National Treasury.

■ Working Environment

Overall, the working climate within the organisation is indicated to be detrimental to productivity of the staff. There is an urgent need to ensure this is attended to. It is recommended that a climate survey be administered wherein the department will have in-depth knowledge as to what, where, how and when to best intervene to turn around the demoralised staff.

References

1. Folscher, A. 2006. Introduction: African experience with budget reform. *OECD Journal on Budgeting*, Vol. 6 No 2.
2. Financial Fiscal Commission, 2012/13 Technical Report. Chapter 6: How effective, credible and sustainable are local government budgets? Midrand.
3. National Treasury, 2012. Frameworks for Strategic Plans and Annual Performance Plans. Pretoria.
4. Schiavo-Campo, S. 2008. Of mountains and molehills: the medium-term expenditure framework. Paper presented at the *Conference on Sustainability and Efficiency in Managing Public Expenditures*. Korea Development Institute Honolulu, Hawaii.

Table 16 below consolidates both the Departmental performance and achievements through simplistic modelling of expenditure utilising data from In-year-Monitoring, from the previous financial years.

Table 16: Descriptive Statistics

	DEDaT Expenditure	Compensation of Employees	Goods and Service	Transfers	Payment of Capital Assets	Human Resources
Mean	19350.67	4931.75	6822.11	7328.19	266.97	151.17
Standard Error	1322.84	118.42	832.24	1173.58	96.03	2.26
Median	17821.50	4881.00	5146.00	4768.50	68.50	146.00
Mode	#N/A	#N/A	#N/A	#N/A	49.00	146.00
Standard Deviation	7937.04	710.52	4993.43	7041.47	576.16	13.54
Sample Variance	62996607.94	504834.42	24934377.82	49582344.16	331961.23	183.23
Kurtosis	0.22	12.67	5.92	0.23	8.65	1.45
Skewness	0.89	-2.70	2.26	1.11	3.08	1.61
Range	32187.00	4504.00	24528.00	25002.00	2460.00	42.00
Minimum	8288.00	1651.00	1548.00	100.00	0.00	140.00
Maximum	40475.00	6155.00	26076.00	25102.00	2460.00	182.00
Sum	696624.00	177543.00	245596.00	263815.00	9611.00	5442.00
Count	36.00	36.00	36.00	36.00	36.00	36.00
Confidence Level (95.0%)	2685.51	240.40	1689.53	2382.49	194.94	4.58

Source: Research and Development Computations

The table above contextualizes the statistics of the critical variable in the research report, that is, expenditure, compensation of employees, good and service and others. On average the DEDaT expenditure amounts to about R 19 million per month, whilst expenditure on compensation of employees is just under R 5 million per month. DEDaT exhibits a positively skewed spending trend, **which affirms the assertion that the Department does not indicate normal spending distribution**. The only variable that indicates a negative skewness is Compensation of employees, whilst Goods and service shows a positive skewness meaning spending occur mainly in the infancy of the financial year.

The unstructured expenditure pattern supports the questioning of the DEDaT budget credibility, as it exhibits snowballing effects. In the event Provincial Treasury fails to secure considerable Provincial Revenue to disburse during the adjustment budget process or fails to inject funds to the DEDaT in light of the fiscal outlook, DEDaT would negatively be impacted as it could falter in delivering its mandate, given its budget inefficiencies.

Table 17: Correlation coefficient³ matrix

Below is a correlation matrix table that depicts the variables as they relate to each other. A simplistic definition of a correlation coefficient, is that, it is a statistical measure of the degree to which changes to the value of one variable predict change to the value of another. In positively correlated variables, the value increases or decreases in tandem. In negatively correlated variables, the value of one increases as the value of the other decreases.

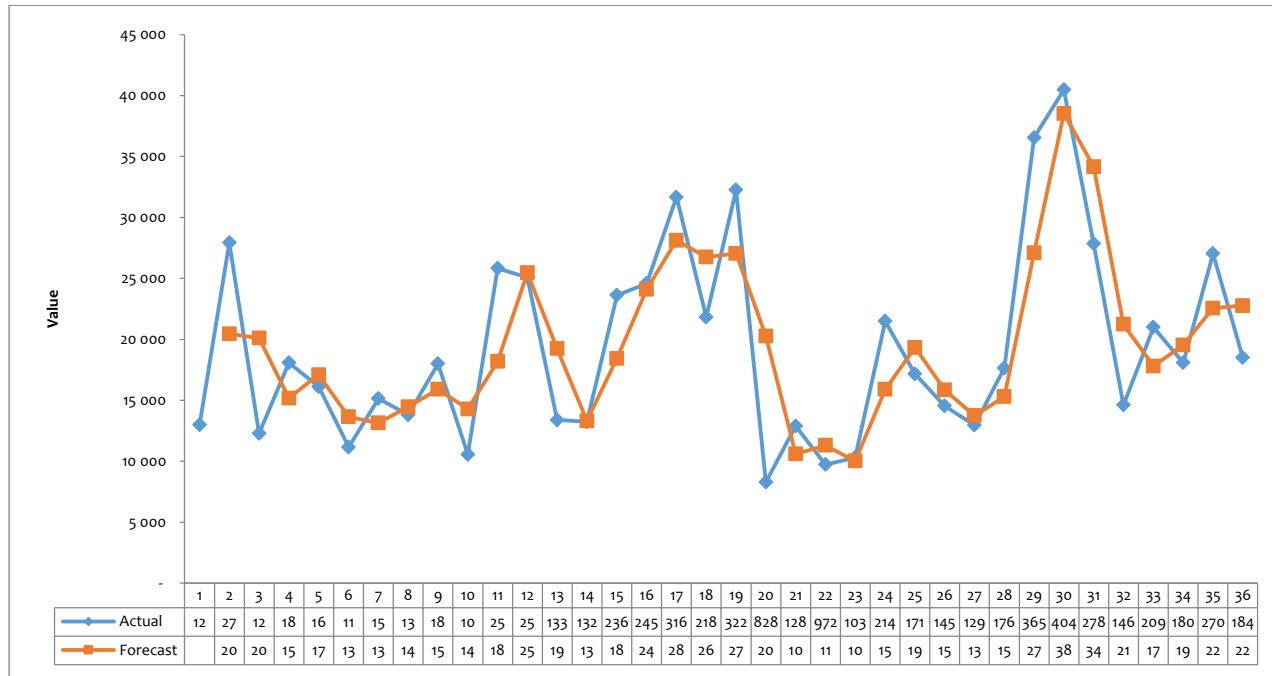
	DEDaT Expenditure	Compensation of Employees	Goods and Service	Transfers	Payment of Capital Assets	Human Resources
DEDaT Expenditure	1					
Compensation of Employees	0.13845512	1				
Goods and Service	0.46744288	0.08133043	1			
Transfers	0.77675813	-0.02379206	-0.17907782	1		
Payment of Capital Assets	0.06220629	0.26610359	-0.13895822	0.06067698	1	
Human Resources	-0.23205078	-0.00624593	-0.12759002	-0.17964036	0.11654632	1

Source: Research and Development Computations

A strong positive linear relationship exist between transfers and departmental expenditure, i.e. a correlation coefficient of 0.78. An important caution is it critical to be mindful of the fact that strong correlation does not mean causal relationship. DEDaT expenditure has rather a weak and negative relationship to Human Resources (proxy for the number of Persons employed in the Department), with a correlation coefficient of -0.23. As earlier identified Goods and Service plays an integral part in the working of the Department, and thus indicated by the moderately strong positive linear relationship($r = 0.47$) between DEDaT expenditure and the good and services.

³ Correlation coefficients are expressed as values between +1 and -1. A coefficient of +1 indicates a perfect positive correlation: A change in the value of one variable will predict a change in the same direction in the second variable. A coefficient of -1 indicates a perfect negative correlation: A change in the value of one variable predicts a change in the opposite direction in the second variable. Lesser degrees of correlation are expressed as non-zero decimals. A coefficient of zero indicates there is no discernable relationship between fluctuations of the variables.

Figure 6: Moving Average



Source: Research and Development Computation

Regression Analysis

Regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modelling and analysing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps one understand how the typical value of the dependent variable (or 'criterion variable') changes when any one of the independent variables is varied, while the other independent variables are held fixed.

Most commonly, regression analysis estimates the conditional expectation of the dependent variable given the independent variables – that is, the average value of the dependent variable when the independent variables are fixed. Less commonly, the focus is on a quantile, or other location parameter of the conditional distribution of the dependent variable



given the independent variables. In all cases, the estimation target is a function of the independent variables called the regression function. In regression analysis, it is also of interest to characterize the variation of the dependent variable around the regression function which can be described by a probability distribution.

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.91657452
R Square	0.840108851
Adjusted R Square	0.819477735
Standard Error	0.073378071
Observations	36

$$\text{Log DEDaT} = 1.22 + 0.16\text{logCoE} + 0.42\text{logGS} + 0.21\text{logTrans} + 0.063\text{LogPCA}$$

ANOVA

	df	SS	MS	F	Significance F
Regression	4	0.877011746	0.219252937	40.72047541	6.39851E-12
Residual	31	0.16691458	0.005384341		
Total	35	1.043926326			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	1.223395551	0.56636174	2.160095686	0.038612639	0.068293167	2.378497934
Log CoE	0.161132692*	0.14133508	1.140075712	0.262987015	-0.127122104	0.449387488
Log GS	0.419351186***	0.048478173	8.650309252	9.06842E-10	0.320479301	0.518223072
Log Trans	0.207554493***	0.021077914	9.847013133	4.62533E-11	0.164565805	0.250543181
Log PCA	0.06275951***	0.019177169	3.272615983	0.002618517	0.023647416	0.101871603

*Significant at 10% level; ** Significant at a five (5) percent level; ***Significant at a 1 percent level

Reliably, there are no statistically insignificant variables in the regression, with only the logged Compensation significant at a 10 percent level of significance, yet the other three variable are significant at a 1 percent level of significance. And therefore, what also pleasing is the fact that the overall regression makes economic sense, in that for the Department to be considered to have spent all the predictive variables, their coefficients would remain positively inclined. As earlier indicated in the report, good and services play a pivotal role in the expenditure of the Department, and this phenomenon is further highlighted with the coefficient of Good and services being higher than the others. Followed by the transfers to provincial entities and the businesses, as the second most core spending for the Department. Given the fact that the Department is not a Capital assets building Department like the Public Works department the payment on capital assets would be lower.

Annexure C: Expenditure Data Analysis

Economic classification	Previous Year	Actual												Actual to end of	Total 2011/12	Appropriation		Available funds	"Total" (Over)/Under
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual			Main	Adjusted		
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar			18	19		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	17	18	19	20	21
	110 553	11 987	9 799	9 708	9 079	13 702	9 517	10 461	12 667	10 276	7 093	9 796	7 720	121 805	121 805	123 113	122 868	122 606	1 063
Compensation of employees	51 699	4 588	4 708	4 691	4 618	6 155	4 928	4 857	4 667	4 836	4 391	4 590	1 651	54 680	54 680	66 281	63 839	54 774	9 159
Goods and services	58 840	7 399	5 090	5 017	4 460	7 555	4 560	5 600	7 995	5 436	2 701	5 202	6 055	67 070	67 070	56 753	58 950	67 754	(8 120)
Administrative fees	901	32	171	158	161	92	43	171	231	94	44	203	112	1 512	1 512	870	870	1 466	(642)
Advertising	8 412	444	679	475	192	945	1 424	680	940	591	278	146	537	7 331	7 331	6 981	7 896	7 882	565
Assets < R5000	721	-	61	53	41	95	26	15	7	3	-	13	46	360	360	565	500	322	140
Audit cost: External	1 730	103	194	143	344	446	147	8	5	16	3	49	250	1 708	1 708	1 007	1 007	1 708	(701)
Bursaries (employees)	78	4	6	9	13	-	-	7	2	-	9	3	4	57	57	88	88	83	31
Catering: Departmental activities	2 172	20	104	366	66	138	86	208	282	170	33	80	73	1 626	1 626	2 061	2 061	1 726	435
Communication	1 709	126	104	123	157	153	157	174	124	279	109	138	(83)	1 561	1 561	1 792	1 792	1 553	231
Computer services	2 502	53	263	212	227	330	217	245	229	93	35	124	106	2 134	2 134	2 468	2 468	2 451	334
Consultants and professional service: Business and advisory service	4 871	5 266	1 074	746	695	1 275	(1 005)	823	967	1 457	-	1 024	1 724	14 046	14 046	12 426	13 471	14 357	(575)
Consultants and professional service: Infrastructure and planning	-	-	-	-	-	-	-	-	-	78	-	112	144	334	334	-	-	334	(334)
Consultants and professional service: Laboratory service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consultants and professional service: Legal cost	148	-	-	61	-	395	23	156	100	-	-	-	(592)	143	143	-	-	143	(143)
Contractors	6 623	52	185	179	61	419	475	834	452	529	87	233	569	4 075	4 075	4 981	4 981	4 068	906
Agency and support / outsourced services	1 141	84	7	4	11	95	2	89	3	1	89	2	1	388	388	1 820	2 320	1 050	1 932
Entertainment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fleet services (including government motor transport)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	9	9	9

	Inventory: Food and food supplies	80	-	-	14	15	-	23	-	-	8	25	2	11	98	98	133	114	98	16
	Inventory: Fuel, oil and gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	1
	Inventory: Learner and teacher support material	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Inventory: Materials and supplies	13	-	1	-	1	-	-	-	-	1	-	-	-	3	3	16	16	5	13
	Inventory: Medical supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Inventory: Medicine	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Medas inventory interface	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Inventory: Military stores	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Inventory: Other consumables	25	-	-	3	-	491	47	1	-	-	-	-	(487)	55	55	32	32	55	(23)
	Inventory: Stationery and printing	1 334	8	1	76	475	367	163	74	94	134	44	121	100	1 657	1 657	855	855	1 649	(802)
	Lease payments	4 296	651	338	331	348	311	460	368	369	370	351	376	(260)	4 013	4 013	3 077	3 158	4 022	(855)
	Rental and hiring	2 081	-	-	-	-	-	-	6	788	302	-	-	89	1 185	1 185	7	7	1 173	(1 178)
	Property payments	685	199	231	252	222	491	540	263	217	230	229	260	406	3 540	3 540	2 899	2 899	3 540	(641)
	Transport provided: Departmental activity	5 369	-	-	-	-	-	-	-	-	-	-	25	6	31	31	1 351	1 351	80	1 320
	Travel and subsistence	10 890	311	1 494	1 626	980	1 231	1 554	1 232	2 534	696	1 160	2 088	1 890	16 796	16 796	10 799	10 799	16 280	(5 997)
	Training and development	1 026	6	16	97	99	187	91	87	481	205	26	33	959	2 287	2 287	604	604	1 748	(1 683)
	Operating payments	750	19	104	16	84	14	31	133	30	75	139	19	96	760	760	406	406	726	(354)
	Venues and facilities	1 283	21	57	73	268	80	56	26	140	104	40	151	354	1 370	1 370	1 505	1 245	1 226	(125)
	Interest and rent on land	14	-	1	-	1	(8)	29	4	5	4	1	4	14	55	55	79	79	78	24
		83 076	1 000	17 763	2 420	8 900	350	1 506	4 575	1 094	7 718	3 410	16 007	17 046	81 789	81 789	65 977	81 796	81 796	7
Current transfers and subsidies	Provinces and municipalities	-	-	519	-	-	-	-	-	-	-	-	-	550	1 069	1 069	-	-	1 070	(1 069)
	Departmental agencies and accounts	16 355	-	4 212	1 755	8 730	-	806	-	734	1 000	3 410	8 935	16 080	45 662	45 662	22 830	45 161	45 668	(501)
	Universities and technicians	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Foreign governments and international organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Public corporations and private enterprises	66 721	1 000	13 032	665	170	350	700	4 575	360	6 718	-	7 072	416	35 058	35 058	43 147	36 635	35 058	1 577
	Non profit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

